

**COUNTY OF SAN LUIS OBISPO BOARD OF SUPERVISORS
AGENDA ITEM TRANSMITTAL**

(1) DEPARTMENT Public Works	(2) MEETING DATE 4/24/2012	(3) CONTACT/PHONE Jeff Werst, Design Division Manager John Waddell, Project Manager (805) 781-5252	
(4) SUBJECT Consideration of 1) letter transmitting Plans and Specifications (Clerk's File) for the Los Osos Wastewater Project, Collection System Areas B & C, Los Osos, CA, Contract No. 300448.08.01.BC for Board approval and advertisement for construction bids; 2) submittal of bid opening report for MidTown Site Restoration Project, Los Osos, CA, Contract No. 300448.08.03; 3) adoption of USDA Loan Resolution; and 4) approval of Recycled Water Agreement with the San Luis Coastal Unified School District for the Los Osos Wastewater Project, Los Osos, CA.			
(5) RECOMMENDED ACTION In accordance with applicable State Law, it is our recommendation that your Honorable Board: <ul style="list-style-type: none"> A. Collection System Areas B & C, Plans and Specifications: <ul style="list-style-type: none"> 1. Approve the project and adopt the plans and specifications for the construction of the Los Osos Wastewater Project, Collection System Areas B & C, Los Osos, CA, Contract No. 300448.08.01.BC; and 2. Authorize the Collection System Areas B & C contract to be advertised for construction bids. The recommended bid opening date is Thursday, May 31, 2012; and 3. Provide the Public Works Director, or his designee, the discretion to extend the bid opening date under California Public Contract Code - Section 4104.5. B. Submittal of Bid Opening for the MidTown Site Restoration Project: <ul style="list-style-type: none"> 1. Award the contract for the MidTown Site Restoration Project to R. Burke Corporation, the lowest responsible bidder, at \$359,833.50; and 2. Authorize the Public Works Director or his designee to approve change orders to the MidTown Site Restoration Project for a contingency amount up to \$35,000 plus an additional amount of \$20,000 for traffic control and supplemental work, for a final total construction amount of \$414,833.50. C. Adopt United States Department of Agriculture (USDA) Financing Agreements: <ul style="list-style-type: none"> 1. RUS Bulletin 1780-27 – Loan Resolution; and 2. Authorize the Director of Public Works to execute RUS Bulletin 1780-12 – Grant Agreement. D. Approve and execute the recycled water agreement with the San Luis Coastal Unified School District. 			
(6) FUNDING SOURCE(S) Fund Center 430	(7) CURRENT YEAR FINANCIAL IMPACT \$414,833.50	(8) ANNUAL FINANCIAL IMPACT N/A	(9) BUDGETED? Yes
(10) AGENDA PLACEMENT <input type="checkbox"/> Consent <input type="checkbox"/> Presentation <input type="checkbox"/> Hearing (Time Est. _____) <input checked="" type="checkbox"/> Board Business (Time Est. 60 min.)			
(11) EXECUTED DOCUMENTS <input checked="" type="checkbox"/> Resolutions <input checked="" type="checkbox"/> Contracts <input type="checkbox"/> Ordinances <input type="checkbox"/> N/A		(12) BUDGET ADJUSTMENT REQUIRED? BAR ID Number: N/A <input type="checkbox"/> 4/5th's Vote Required <input checked="" type="checkbox"/> N/A	
(13) OUTLINE AGREEMENT REQUISITION NUMBER (OAR) 19001129		(14) W-9 <input type="checkbox"/> No <input type="checkbox"/> Yes	
(15) LOCATION MAP Attached	(16) BUSINESS IMPACT STATEMENT? No	(17) AGENDA ITEM HISTORY <input type="checkbox"/> N/A Date 4/3/12	
(18) ADMINISTRATIVE OFFICE REVIEW <i>Nikki J. Schmidt</i>			
(19) SUPERVISOR DISTRICT(S) District 2 -			

Reference: 12APR24-BB-1

County of San Luis Obispo



TO: Board of Supervisors

FROM: Public Works
Jeff Werst, Design Division Manager
John Waddell, Project Manager

VIA: Dave Flynn, Deputy Director of Public Works

DATE: 4/24/2012

SUBJECT: Consideration of 1) letter transmitting Plans and Specifications (Clerk's File) for the Los Osos Wastewater Project, Collection System Areas B & C, Los Osos, CA, Contract No. 300448.08.01.BC for Board approval and advertisement for construction bids; 2) submittal of bid opening report for MidTown Site Restoration Project, Los Osos, CA, Contract No. 300448.08.03; 3) adoption of USDA Loan Resolution; and 4) approval of Recycled Water Agreement with the San Luis Coastal Unified School District for the Los Osos Wastewater Project, Los Osos, CA.

RECOMMENDATION

In accordance with applicable State Law, it is our recommendation that your Honorable Board:

A. Collection System Areas B & C, Plans and Specifications:

4. Approve the project and adopt the plans and specifications for the construction of the Los Osos Wastewater Project, Collection System Areas B & C, Los Osos, CA, Contract No. 300448.08.01.BC; and
5. Authorize the Collection System Areas B & C contract to be advertised for construction bids. The recommended bid opening date is Thursday, May 31, 2012; and
6. Provide the Public Works Director, or his designee, the discretion to extend the bid opening date under California Public Contract Code - Section 4104.5.

B. Submittal of Bid Opening for the MidTown Site Restoration Project:

3. Award the contract for the MidTown Site Restoration Project to R. Burke Corporation, the lowest responsible bidder, at \$359,833.50; and
4. Authorize the Public Works Director or his designee to approve change orders to the MidTown Site Restoration Project for a contingency amount up to \$35,000 plus an additional amount of \$20,000 for traffic control and supplemental work, for a final total construction amount of \$414,833.50.

C. Adopt United States Department of Agriculture (USDA) Financing Agreements:

1. RUS Bulletin 1780-27 – Loan Resolution; and
2. Authorize the Director of Public Works to execute RUS Bulletin 1780-12 – Grant agreement.

D. Approve and execute the recycled water agreement with the San Luis Coastal Unified School District.

DISCUSSION

On September 20, 2006, California State Governor Arnold Schwarzenegger signed Assembly Bill 2701 (Blakeslee) which allowed the County, at the Board's discretion, to assume responsibility for development of a wastewater project (Project) for the community of Los Osos. Since 2006, environmental permits and funding approvals have been obtained, and on March 15, 2011, your Board adopted the Due Diligence resolution to assume responsibility for the Project and proceed to Project completion. The adoption of the Due Diligence resolution predicated your Board's action on May 17, 2011 to approve the \$173 million Project budget. The budget includes a \$22 million interim funding loan, which has repaid the County's loans to the Project since 2006 and is funding the remaining pre-construction efforts.

Plans and Specifications for Collection System Areas B & C

In conjunction with your Board's approval of the Project budget on May 17, 2011, an agreement with Camp Dresser and McKee (CDM) was approved for the final design of the Project collection system. The collection system design was subsequently divided into three bid packages for three separate construction contracts. CDM has completed the engineering design and specifications for Collection System Areas B & C which include the areas south and adjacent to Los Osos Valley Road, Cuesta by the Sea, and Sunset Terrace. The pipelines and facilities in Areas B & C will be constructed on the same schedule as the other areas of the collection system and the pump stations with an anticipated completion date of June 2014. The collection system contract for Areas A & D was approved by your Board on April 3, 2012 and is currently being advertised for bids. The collection system contract for the Pump Stations is scheduled for your Board's approval and advertisement within the next few weeks.

The attached contract plans and specifications prepared by CDM have been completed to the satisfaction of the Department of Public Works and it is our recommendation that your Board approve the project for Collection System Areas B & C by adopting these plans and specifications. Additionally, it is our recommendation that your Board authorize that a contract be advertised for construction bids on these adopted plans and specifications, with a bid opening date of Thursday, May 31, 2012.

Construction Contract for MidTown Site Restoration

The MidTown Site Restoration Project site was previously known as the Tri-W site. Excavation and grading on the site to construct a wastewater treatment facility commenced in 2005 under the direction of the Los Osos Community Services District (LOCSD). Construction was suspended

shortly after a special election on September 27, 2005, which passed local Measure B, intended to establish requirements for relocating the wastewater treatment plant that had been under construction at the MidTown site. Since that time the site has remained in an unprotected, disturbed state, with temporary fencing and subject to significant erosion.

The approved Coastal Development Permit (CDP) for the overall Project relocates the treatment facility from the previously graded Tri-W site to the new Giacomazzi site located at the eastern boundary of the community. Special Condition No. 3 of the CDP addresses the preparation of a comprehensive Habitat Management Plan and requires restoration and remediation of the MidTown site, which has remained disturbed since the 2005 LOCSD construction activities.

On April 26, 2011, your Board approved an agreement for RICK Engineering Company to provide professional engineering plans and specifications for grading, drainage and other work to restore the MidTown site back to a more natural state in accordance with the CDP Condition 3. In December 2011, RICK Engineering Company submitted the final plans and specifications.

The MidTown site restoration work required in the contract includes mass grading to restore the site to a near original condition, promote groundwater recharge of storm water, provide walking trails, and provide decorative site fencing abutting public roads to prevent motorized vehicle access. Three environmentally sensitive areas (ESA) have been identified within the MidTown site and these will be protected from construction activities. Storm drainage improvements along Los Osos Valley Road fronting the MidTown site are also a part of the work. Upon completion the site will be stabilized by placement of mulch or an equivalent erosion control best management practice. The contract work is scheduled for completion in summer of 2012.

In accordance with direction from your Board, bids for the subject contract were opened on Thursday, April 5, 2012.

Eleven bids were received. They are as follows:

R. Burke Corporation	\$359,833.50
Whitaker Construction Group	368,362.50
MGE Underground, Inc.	373,515.00
Pickard & Butters Construction, Inc.	375,342.39
Negranti & Sons	383,059.36
Souza Construction, Inc.	391,410.50
Brough Construction, Inc.	394,046.50
Arthurs Contracting, Inc.	400,095.00
John Madonna Construction Co., Inc.	424,555.50
J & P Construction	436,232.00
<u>Specialty Construction, Inc.</u>	<u>483,770.50</u>
Engineer's Estimate	\$480,033.00

The low bid came in approximately 25% below the Engineer's Estimate. We have reviewed the submittal from R. Burke Corporation and verified that they are the lowest responsive, responsible bidder, as required by law.

After completion of the contract restoration work, the site will be planted for revegetation by County

crews, using native plants in accordance with the approved Habitat Management Plant for the overall Los Osos Wastewater Project. The revegetation is being done by County crews in order to schedule the planting at the beginning of the rainy season (after October 15). This approach will maximize the success of the plantings and reduce costs for temporary irrigation.

USDA Loan Resolution

On May 17, 2011 your Board adopted Resolution 2011-152 authorizing the sale of bonds to the USDA in the amount of \$83,129,000. One of the conditions from the USDA in order to close the bond sale is that your Board adopt the attached USDA RUS Bulletin 1780-27 Loan Resolution. This resolution, among other things, accepts the USDA grant of \$4,061,000 and authorizes the Chairperson and Director of Public Works to execute the USDA RUS Bulletin 1780-12 Grant Agreement also attached.

This bond sale is scheduled to occur on May 24, 2012. Closing the bond sale this quarter (April-June) is advantageous in that the County will be able to sell bonds at the current interest rate of 2.75% instead of the 3.25% rate that was locked-in when the funds were obligated in August of 2010. Proceeds from the bond sale will be used to pay off the interim financing from US Bank and continue financing project efforts to completion in concert with the financing provided by the State Water Board and various granting agencies.

Recycled Water Agreement

A condition of the Project's approval was to return 100% of the treated effluent back to the area overlying the groundwater basin. Additionally, the Project's funding approvals from the USDA and State Water Board each require user agreements for the delivery of recycled water prior to construction and issuance of financing. In order to meet these conditions, staff has worked with stakeholders to develop contracts for irrigation reuse of recycled water. These efforts include outreach and education with agricultural and urban users, including farmers, golf course, cemetery, and the San Luis Coastal Unified School District (School District). At the same time, recycled water use has been considered by the County and water purveyors as a component of the Basin Plan for the Los Osos Basin.

On October 25, 2011, your Board executed Program Participation Agreements with agricultural interests for the irrigation of crops with recycled water. Although the initial interest from agriculture is sufficient to meet Project conditions, it has been somewhat limited. Even so, our local experience is relatively consistent with similar program start-up in Monterey County. As with many voluntary programs, interest increases in time with success. After implementation and with actual results proven on water quality, delivery reliability, and operational flexibility, staff believes that it is reasonable to believe that the voluntary nature of the agricultural reuse program will increase. As part of the Project's conditions, our program development needs to also be consistent with the intent of Water Code Section 13550, which generally provides that reuse water needs to be used in lieu of potable water. To that extent, water quality needs vary between different agricultural crops, or for example, the irrigation of turf at schools. Actual water quality data will be known only when the Project is operational, which again is imperative to address concerns of some, prove success, and increase participation under the over "adaptive management" approach of the overall reuse program.

In contrast to local agriculture, the School District already irrigates with recycled water at Laguna Middle School in the City of San Luis Obispo, so that agency is comfortable with the concept. This water is provided to the School District at a discount of 10% compared to the City's potable water rates. The School District expressed early interest in using recycled water in Los Osos from the Project if the pricing structure could also be provided at a 10% discount.

The attached agreement includes a 10% discount from current potable water rates. In order to protect the community's substantial investments in water infrastructure, the County intends and the agreement allows for all recycled water revenues to be transferred to the purveyors that deliver potable water within Los Osos. The term "agency" in the agreement is not defined but it is staff's clear intent that it includes Golden State Water Company in addition to the Los Osos Community Services District. Since delivery of recycled water will not occur until the Project is operational, in approximately three years, there is sufficient time for County to address additional concerns expressed by the water purveyors over the attached agreements, including protection of infrastructure investments and service duplication, the mechanism for rate-setting and coordination with the California Public Utilities Commission process faced by Golden State Water Company, and the need to ensure pumping of the Los Osos Basin in accordance with established water rights. The County has had several meetings with the purveyors within the past two weeks to begin making progress toward resolving such concerns.

During the School District Board hearing on March 20th, when it approved the attached agreements, several points were discussed. Issues included long-term water quality assurances, which staff indicated would be an on-going County responsibility while we are operating the treatment facilities. Other concerns have been expressed by the purveyors, including impacts on their revenues, Public Utilities Code provisions affecting Golden State Water, and others. Although staff found it impractical to develop the attached agreement with the School District while the groundwater litigation and the Basin Plan are still under development with the purveyors, we do recognize the concerns of the purveyors. Financial impacts, the cost of existing infrastructure developed by the purveyors, and processes for future rate adjustments will need to be addressed with the purveyors. Although staff has anticipated that all of the revenues from the School District would return to the purveyors, additional work in addressing how to accomplish this objective in the Basin Management Plan under development via the Interlocutory Stipulated Judgment is needed. In summary, while providing recycled water is important in reducing pumping from the groundwater basin and mitigating current seawater intrusion, staff understands the need to work with the water purveyors on additional details so that the conversion of the School District irrigation from potable supplies to recycled water is a seamless transition when the wastewater Project is complete and becomes operational.

On March 20, 2012, the Board of the San Luis Coastal Unified School District unanimously approved the agreement. By not relying on potable water pumped from the groundwater basin for irrigation in the future, the District is helping to support measures that will reduce overdraft of the water basin and mitigate seawater intrusion.

OTHER AGENCY INVOLVEMENT/IMPACT

The U.S. Department of Agriculture (USDA) and State Water Board are jointly financing the Project and provide oversight of engineering and consulting agreements and construction contracts. Numerous other federal, state and local agencies are involved in the project. County Counsel has reviewed this item and related attachments and is in concurrence with our recommendations.

The San Luis Coastal Unified School District's Board of Education approved the attached recycled water agreement at a public school board hearing on March 20, 2012.

FINANCIAL CONSIDERATIONS

Collection and Recycled Water design and construction is budgeted in the Capital Project Budget for the Los Osos Wastewater Project at \$103.5 million. The estimated cost of this contract for Areas B & C is \$22,325,000 and is included in the overall budget approved by your Board on May 17, 2011.

The MidTown Site Restoration Project is budgeted in the Capital Project Budget for the Los Osos Wastewater Project at \$800,000. The estimated cost of this contract for is \$414,833 and is included in the overall budget approved by your Board on May 17, 2011.

Refer to attached Exhibit "A" for an estimated cost breakdown of the Project.

The recycled water agreement with the School District may generate revenue for the Project which would be used to cover delivery costs. However, the agreement and associated revenue may also be transferred to the respective Los Osos water purveyors in whose service areas the schools are located before any revenue is realized.

RESULTS

Approval of the recommended actions will continue progress toward a community wastewater project for Los Osos. Completion of the Project will contribute to the County's goal of providing a safe and healthy community.

File: Los Osos WWP 300448.08.01.BC
Los Osos WWP 300448.08.03

Reference: 12APR24-BB-1

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ATTACHMENTS

1. Collection System Vicinity Map
2. MidTown Site Restoration Vicinity Map
3. Exhibit A - Project Cost Estimates
4. Plans and Specifications - Collection System Areas B & C
5. USDA RUS Bulletin 1780-27 Loan Resolution
6. USDA RUS Bulletin 1780-12 Grant Agreement
7. Agreement for Delivery of Recycled Water